How Does DCAA Fit In?

Presented by:

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Objective

The objective of this presentation is to define where DCAA fits into the acquisition process. At the end of the presentation, the student will understand the procedures DCAA uses to perform audit services and how to request those services.

Outline of Presentation

- Audit Services Provided by Financial Advisory Services Center
- Typical Field Audit Services
- Audit Report Opinions - What They Mean
- Guide to Requesting Services
- Rapid Rates Program

Audit Services Provided by Financial Advisory Services Center

History of DCAA

July 1965 -- DCAA Was Formed by Transferring Existing Resources From Each of the Military Services Into the Newly Formed Defense Contract Audit Agency.

Resulted in:

One set of audit guides --the DCAA Contract Audit Manual

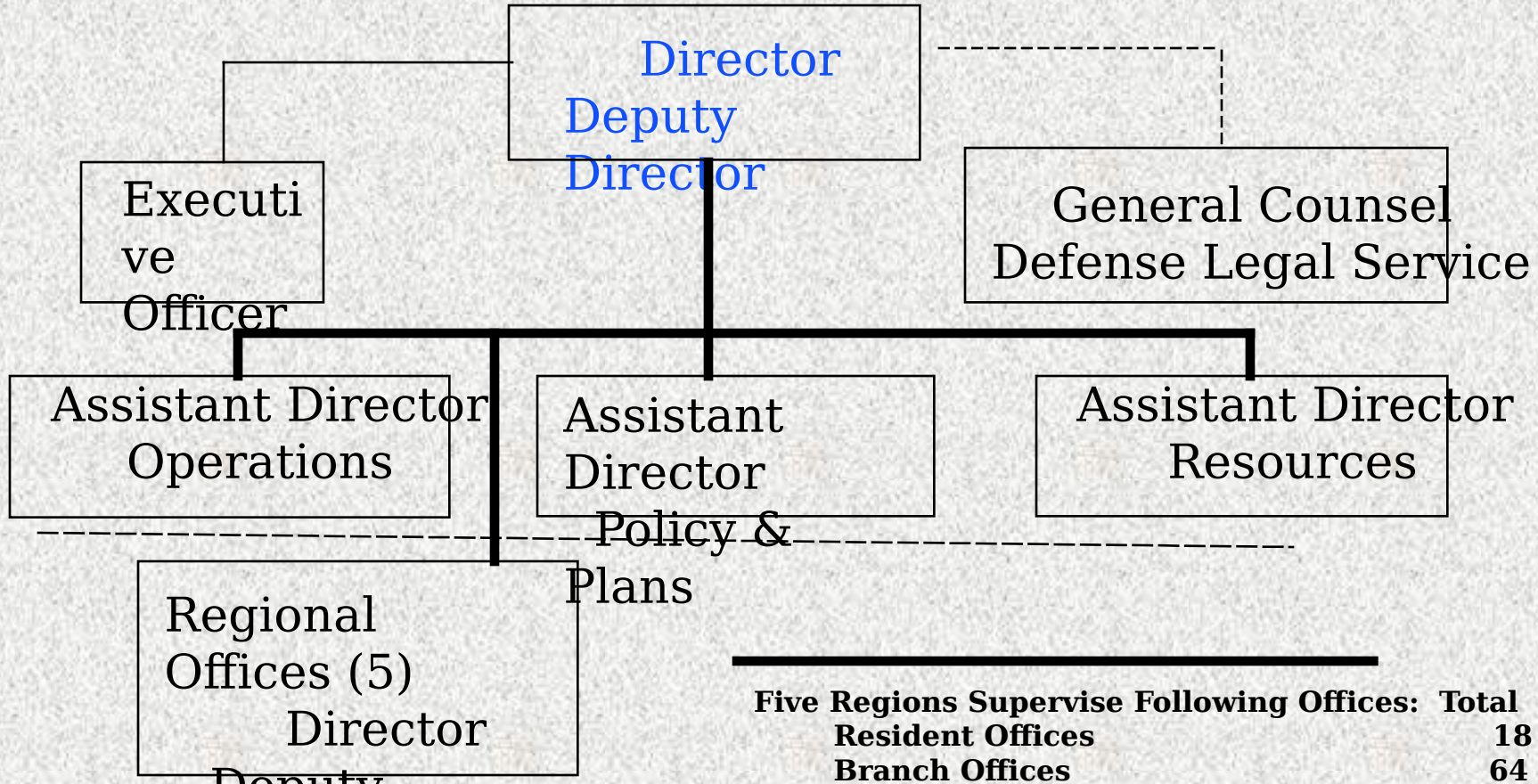
A single organization the contractor could deal with on contract audit matters.

Agency Mission

DCAA Charter - DoD Directive 5105.36 MISSION -- DCAA shall:

- Perform all necessary contract audit for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all Department of Defense components responsible for procurement and contract administration. These services will be provided in connection with negotiation, administration and settlement of contracts and subcontracts.
- Provide contract audit service to other Government agencies as appropriate.

Defense Contract Audit Agency



Five Regions Supervise Following Offices:	Total
Resident Offices	18
Branch Offices	64
Suboffices (Off-site)	286
	368

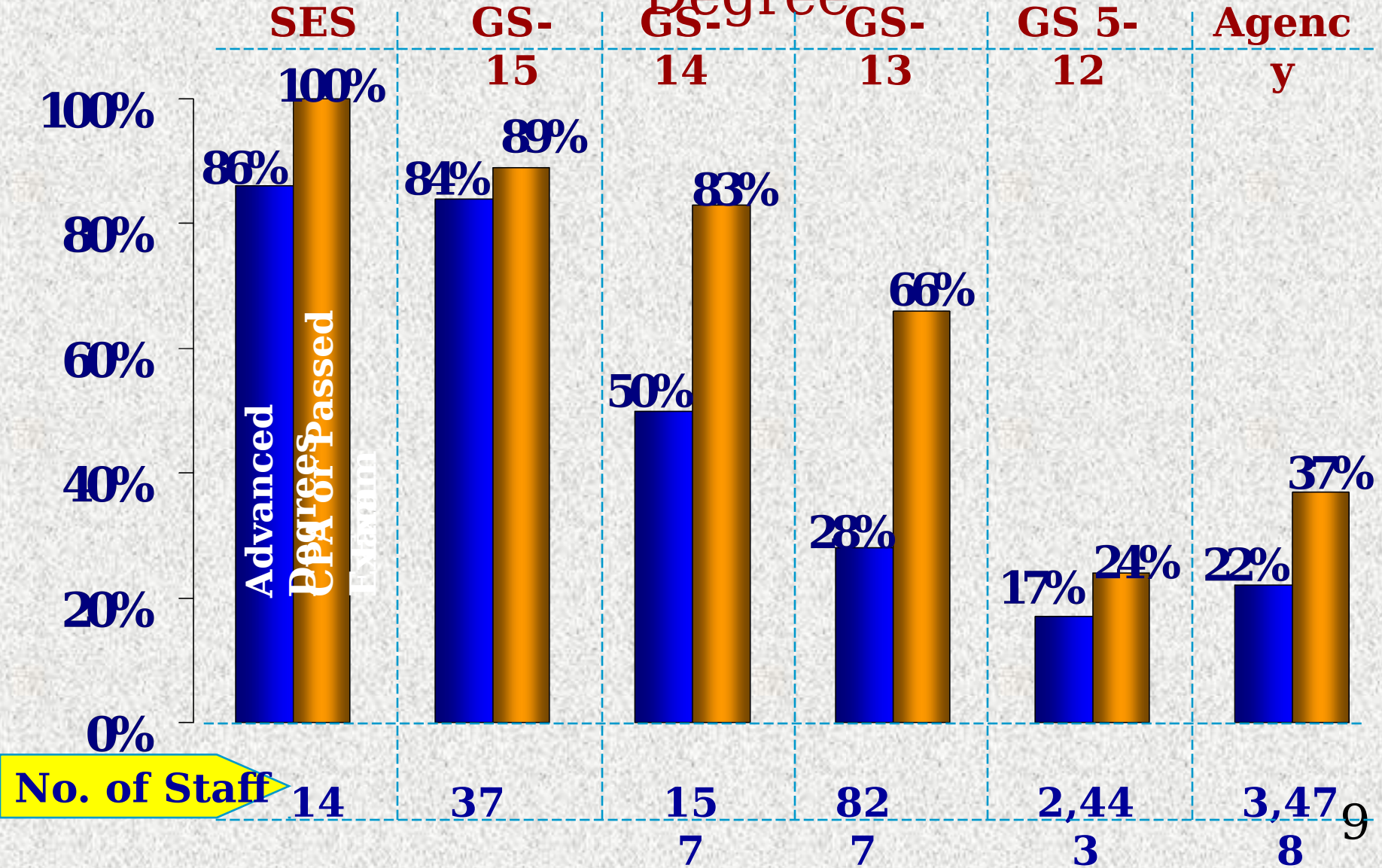
Regional Offices (5)
Central, Eastern, Mid-Atlantic, Northeastern, and Western

Summary of DCAA Audit Results

Item	FY 99	FY 00	FY 01	FY 02	FY 03
No. of Reviews	44,064	41,722	42,657	40,045	41,114
Net Savings (Billions)	$2.6	$2.4	$3.2	$2.5	$2.2
Cost Questioned Sustained %	65.4%	67.0%	72.3%	75.2%	66.4%
Return on Investment	$7.1 to 1	$6.6 to 1	$8.4 to 1	$6.3 to 1	$5.5 to 1

Training and Professional Development

Auditor CPA Certification & Advanced Degree



DCAA

Financial

Advisory

Services

Center

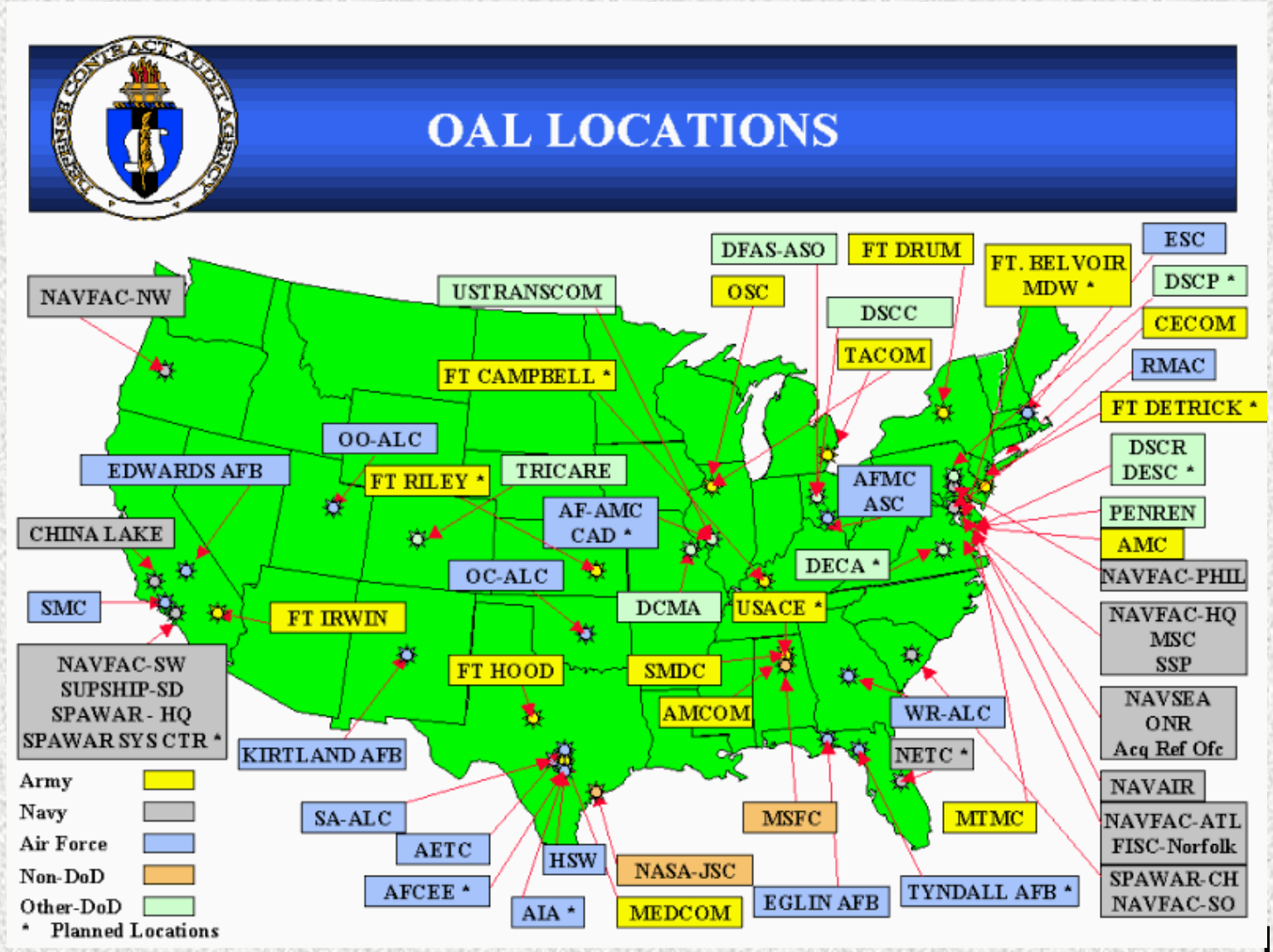
Audit Liaison Division

Goal is to support customers by serving as an on-site interface between DCAA and its customers.

Financial Advisory Services Center

- Mission:
  - to provide financial advisory services support at customer sites to assist PCOs in determining fair and reasonable contract prices.

Defense Contract Audit Agency



Defense Contract Audit Agency

AUDIT LIAISON DIVISION (OAL)

Buying Command	City	State	Telephone
3rd Wing Fighter Group/3CES/CEI	Elmendorf AFB	AK	907-552-3199
US Army Space & Missile Defense Command	Huntsville	AL	256-955-2499
Marshall Space Flight Center	Redstone Arsenal	AL	256-544-4671
US Army Aviation and Missile Command	Redstone Arsenal	AL	256-313-3932
Camp Pendleton Regional Contracting Office	Camp Pendleton	CA	760-725-8141
Naval Air Warfare Center - China Lake	China Lake	CA	760-939-7084
AF Flight Test Center	Edwards AFB	CA	661-277-7473
Air Force Space & Missile Systems Center	El Segundo	CA	310-363-6991
US Army National Training Center	Fort Irwin	CA	760-380-5015
Naval Facilities Engineering Command-Port Hueneme	Port Hueneme	CA	805-982-3873
Naval Facilities Engineering Command, SW	San Diego	CA	619-532-3834
Space and Naval Warfare Systems Command, San Diego	San Diego	CA	619-524-7394
Supervisor of Shipbuilding San Diego	San Diego	CA	619-556-1172
30th Space Wing/30 CONS/LGCZ	Vandenberg AFB	CA	805-605-0196
TRICARE Management Activity - Aurora	Aurora	CO	303-676-3480
US Army Space Command	Peterson AFB	CO	719-554-1995
Navy Facilities Engineering Command - Headquarters	Washington	DC	202-685-9159

Defense Contract Audit Agency

AUDIT LIAISON DIVISION (OAL)

Buying Command	City	State	Telephone
Navy Strategic Systems Programs	Washington	DC	202-764-2141
Naval Sea Systems Command	Washington Navy Yard	DC	202-781-2909
NAVFAC Engineering Field Activity, Chesapeake	Washington Navy Yard	DC	202-685-3208
Air Armament Center	Eglin AFB	FL	850-882-2129
NAVAIR Training Systems Division Orlando	Orlando	FL	407-380-8076
Tyndall AFB 325 CONS/CC	Tyndall AFB	FL	850-283-3972
Southern Region Contracting Center	Fort McPherson	GA	404-464-3738
Warner Robins Air Logistics Center	Robins AFB	GA	478-926-7510
Savannah District, Corps of Engineers	Savannah	GA	912-652-5069
TACOM - Rock Island	Rock Island	IL	309-782-6575
US Army Joint Munitions Command	Rock Island	IL	309-782-3705
HQ Air Mobility Command	Scott AFB	IL	618-229-2090
USTRANSCOM/TCCS-AQ	Scott AFB	IL	618-229-1887
Air Force Electronic Systems Center	Hanscom AFB	MA	781-377-2627
US Army Robert Morris Acquisition Center Aberdeen	Aberdeen Proving Ground	MD	410-278-0736
US Army Medical Research Acquisition Activity	Fort Detrick	MD	301-619-7678
Maryland Procurement Office	Ft. George G. Meade	MD	443-479-0841

Defense Contract Audit Agency

AUDIT LIAISON DIVISION (OAL)

Buying Command	City	State	Telephone
Naval Air Systems Command	Patuxent River	MD	301-757-9081
US Army Tank-Automotive & Armaments Command	Warren	MI	586-574-8050
Kansas City District, Corps of Engineers	Kansas City	MO	816-983-3864
Defense Contract Audit Agency	St. Louis	MO	314-331-5096
Omaha District, Corps of Engineers	Omaha	NE	402-221-4276
US Army Communications Electronics Command	Fort Monmouth	NJ	732-427-1445
National Nuclear Security Admin. Service Center	Albuquerque	NM	505-845-5905
AFRL Kirtland	Kirtland AFB	NM	505-846-3757
Defense Supply Center Columbus	Columbus	OH	614-692-1314
DFAS-Acquisition Support Directorate	Columbus	OH	614-693-4350
DFAS-Commercial Pay Services	Columbus	OH	614-693-7987
Aeronautical Systems Center	Wright Patterson AFB	OH	937-255-5494
Air Force Materiel Command	Wright Patterson AFB	OH	937-255-4369
Oklahoma City Air Logistics Center	Tinker AFB	OK	405-739-2946
Naval Facilities Engineering Command-EFANE	Lester	PA	610-595-0753
Defense Supply Center Philadelphia	Philadelphia	PA	215-737-6190

Defense Contract Audit Agency

AUDIT LIAISON DIVISION (OAL)

Buying Command	City	State	Telephone
Naval Undersea Warfare Center Newport Division	Newport	RI	401-832-1636
Space and Naval Warfare Systems Center, Charleston	Hanahan	SC	843-218-5902
Naval Facilities Engineering Command-Southern Div	North Charleston	SC	843-820-5506
Development Center for Operational Medicine	Brooks City Base	TX	210-536-2158
311th Human Systems Wing/AE	Brooks City-Base	TX	210-536-8470
Air Force Outreach Program Office	Brooks City-Base	TX	210-536-3448
ACA, Southern Region, Fort Hood Contracting Cmd	Fort Hood	TX	254-287-5521
US Army Medical Command Acquisition Activity	Fort Sam Houston	TX	210-295-4504
US Army Medical Command Health Care Acq. Activity	Fort Sam Houston	TX	210-295-4805
Fort Hood Family Housing	Killeen	TX	254-200-0283
Air Education and Training Command	Randolph AFB	TX	210-652-4486
Acquisition Center of Excellence	Hill AFB	UT	801-586-2188
Ogden Air Logistics Center	Hill AFB	UT	801-586-1456
Defense Contract Management Agency	Alexandria	VA	703-428-0831

Defense Contract Audit Agency

AUDIT LIAISON DIVISION (OAL)

Buying Command	City	State	Telephone
Pentagon Renovation Office	Arlington	VA	703-697-2374
TRICARE Management Activity - Falls Church	Falls Church	VA	703-681-1143 Ext. 5425
Defense Contract Audit Agency	Fort Belvoir	VA	703-767-1730
Northern Region Contracting Center	Fort Eustis	VA	757-878-3166 Ext. 3253
Fleet & Industrial Supply Center	Norfolk	VA	757-443-1449
Naval Facilities Engineering Command, Atlantic Div	Norfolk	VA	757-322-4066
Supervisor of Shipbuilding Portsmouth	Portsmouth	VA	757-396-5041 ext. 426
Defense Supply Center Richmond	Richmond	VA	804-279-5180
Naval Facilities Engineering Command-NW	Poulsbo	WA	360-396-1864

Examples of Audit Liaison Services

- Facilitating communication
- Coordinating audit requests
- Interpreting audit reports
- Explain changes in audit policies & procedures
- Elevate customer concerns
- Arrange attendance of DCAA personnel at negotiations and meetings
- Participate in training sessions

Financial Advisory Services Center (FASC) Potential Assistance Areas

- Cost analysis
- Analysis of other than cost or pricing data
- Commercial pricing
- Market research
- IPT activities
- Source evaluation boards
- Parametrics
- Other areas

Examples of FASC Support to Source Selection Evaluation Boards

- Assist in analysis of contractor data
- Assist in assessing adequacy of accounting systems
- Assist in evaluating financial capability
- Assist in using/interpreting audits
- Participate in oral discussions

Examples of FASC Support to Contract Administration

- Review modifications
- Complex contract close outs
- Assist reconciliations between the contractor, DFAS and the buying office

Examples of Other FASC Potential Support Areas

- Cost monitoring
- Cost estimating

- No A-76 Most Efficient Organization (MEO) assistance

Field Audit Office vs. FLA Audit Services

Field Auditor

- On-Site at Ktr. Location
- Has Access to Ktr. Books and Records
- Performs Audits

FLA

- On-Site with Customer
- Available for Immediate Advice on Audit/ Financial Issues

Typical Field Audit Services

Typical Field Audit Services

- Preaward Contract Audit Services
  - Accounting System Survey and Financial Capability
  - Price Proposals
  - Forward Pricing Labor and Overhead Rates
  - Attend Negotiation Conferences

Typical Field Audit Services

- Postaward Contract Audit Services
  - Incurred Costs/Annual Overhead Rates
  - Claims (Hardship, Equitable Adjustment/Delay Claims, and Termination Claims)
  - Financial Capability
  - Change Order Proposals
  - Contractor Billings
  - Contract Audit Closing Statements

Typical Field Audit Services

- Contractor Internal Control System Audits
  - Accounting
  - Estimating
  - EDP
  - Compensation
  - Billing
  - Budgeting
  - Material Management
  - Labor
  - Purchasing
  - Indirect and Other Direct Costs

Typical Field Audit Services

- Investigative Support Division

- DCAA is not authorized to conduct independent criminal investigations.

- However, we do provide support to investigative organizations when requested and appropriate.

- DCAA has special teams of auditors to support investigations.

Requirements for Audit

- Contracting Officer Requests
- Contract Terms
- Public Law
- Acquisition Regulations

Planning the Audit

- Assess reliance which can be placed on management and financial systems - (see previous list of contractor internal control system audits)
- Assess risk environment
- Establish scope of audit

Scope of Required Audits

- DCAA professional judgment considering:
  - Audit objective
  - Contracting officer request
  - Professional auditing standards
  - American Institute of Certified Public Accountants
  - General Accounting Office (GAGAS)

DCAA FORWARD PRICING SERVICES

Type of Service	Scope of Service	Type of Opinion to be Rendered	Reporting	CAM Reference
Specific Cost Information	Provide data in FAO files only (or services can be accomplished in 4 hours or less)	None	Telephone with written confirmation memorandum	9-107
Agreed- Upon Procedures	Evaluation of limited cost or pricing data or information other than cost or pricing data	Disclaimer	Report	9-108 9-207
Cost Realism Analysis	Evaluation of limited information other than cost or pricing data to ascertain potential cost understatement	Disclaimer	Report	9-108 9-206
Audit of Specified Cost Elements	Audit of cost or pricing data for cost element(s), but not whole proposal	Opinion only on elements audited	Report	9-108 9-208
Complete Proposal Audit	Audit of cost or pricing data for entire proposal	Opinion on proposal as a whole	Report	Chap.9
Desk Audit	Audit of cost or pricing data for entire proposal, mostly based on information available in the files or with limited additional information requested from contractor	Opinion on proposal as a whole	Report	9-103.3e-g

Audit Report Opinions - What They Mean

AUDIT OPINION EXAMPLES
Cost or Pricing Data

The auditor's opinion on submitted cost or pricing data generally can be categorized in one of the following three areas:

- Completely Acceptable (Adequate)
- Generally Acceptable -
  Except For Some Minor Deficiency
(Inadequate In Part)
- Unacceptable (Not Adequate)

Opinions Address the Adequacy of Proposal as a Basis for Negotiation of a Fair and Reasonable Price.

AUDIT OPINION EXAMPLES

FAR, Part 15 is often used in determining if the submitted data is adequate as the basis for negotiation of a fair and reasonable price. Additionally, the proposal may be in various degrees of compliance with promulgated Cost Accounting Standards or FAR, Part 31. For reporting purposes, these include:

- No Instances
- Insignificant Instances
- Significant Instances Of Noncompliance

AUDIT OPINION EXAMPLES

No Instances of Noncompliance

In our opinion, the offeror has submitted adequate cost or pricing data. The proposal was prepared in accordance with applicable Cost Accounting Standards and appropriate provisions of FAR and the DoD FAR Supplement. Therefore, we consider the proposal to be acceptable as a basis for negotiation of a fair and reasonable price.

AUDIT OPINION EXAMPLES

Insignificant Instances

In our opinion, the offeror has submitted adequate cost or pricing data. The proposal was not prepared in all respects in accordance with applicable Cost Accounting Standards and appropriate provisions of FAR and the DoD FAR Supplement. However, as discussed on page 12, Exhibit A, Note 4, the impact of the noncompliances is considered relatively insignificant. Because the FAR and/or CAS noncompliances are considered insignificant, we believe that the proposal is an acceptable basis for

AUDIT OPINION EXAMPLES

Significant Instances

In our opinion, the offeror has submitted adequate cost or pricing data. The proposal was not prepared in all respects in accordance with applicable Cost Accounting Standards and appropriate provisions of FAR and the DoD FAR Supplement (see comments on page 12, Exhibit A, Note 4. Because the FAR and/or CAS noncompliances are considered significant, we do not believe the proposal is an acceptable basis for negotiation of a fair and reasonable price, as discussed with Mr. Bill Jones by Mr. Ray Hillis of our office on March 30, 2002 and as confirmed in our letter to you dated March 30, 2002. At your request, we have, nevertheless, evaluated the proposal to the

AUDIT OPINION EXAMPLES

Disclaimer of Opinion

Due to (list of reasons identified on next slide), we were not able to obtain sufficient competent evidential matter on which to base an opinion on the proposal as a whole (or the specific cost element to be reviewed). The time that was provided for performance of the audit did not allow us to apply auditing procedures to satisfy ourselves as to the acceptability of the contractor's proposal. The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the contractor's proposal and its acceptability as a basis for negotiation of a fair and reasonable price as discussed with Mr. Bill Jones by Mr. Ray Hillis of our office on March 30, 2002 and as confirmed

AUDIT OPINION EXAMPLES

Disclaimer of Opinion

A disclaimer of opinion may be used when:

- Imposed time constraints allow only a portion of the cost or pricing data to be reviewed.
- Unresolved costs are due to the nonreceipt of assist audit reports covering the proposed subcontract costs.
- Nonreceipt of technical evaluation reports

Guide to Requesting Services

Guide to Requesting Services

- Determining the Service Required
- Locating the DCAA Field Audit Office
- Requesting Audits
- Requesting Rate Information
- Additional Help
- Example of Audit Request Letters

Guide to Requesting Services

- **Determining the Service Required**

- ***Audit of Entire Proposal***
- ***Audit of Part of the Proposal***
- ***Agreed Upon Procedures***
- ***Rate Information***

Guide to Requesting Services

Locating the DCAA Field Audit Office (FAO)

- DCAA is organizationally divided into five regions.
- Within each region are field audit offices
- DCAA has a software package to identify the cognizant FAO
- DCAA internet web site http://www.dcaa.mil.
- FLA can assist in locating the cognizant FAO

Website

http://www.dcaa.mil

- About DCAA
- Directions/Map
- Audit Guidance
- DCAA Publications
- Freedom of Information Act
- Links to Other Web Sites
- DCAA Points of Contact
- Career Center
- Audit Office Locator
- Home

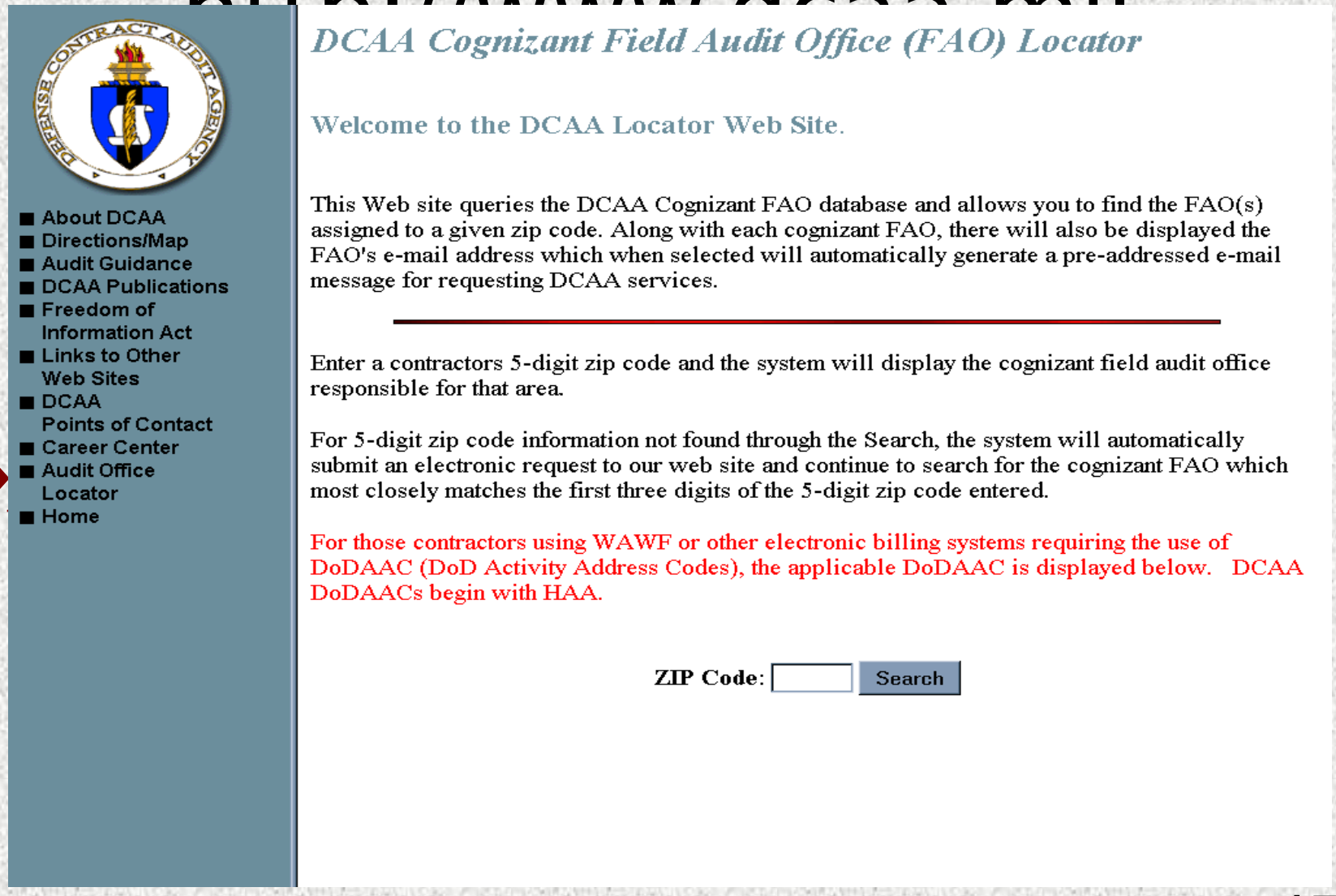
DCAA
Dedicated to providing timely and responsive audits and financial advisory services
In Support of our National Defense

The Defense Contract Audit Agency, under the authority, direction, and control of the Under Secretary of Defense (Comptroller), is responsible for performing all contract audits for the Department of Defense, and providing accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. These services are provided in connection with negotiation, administration, and settlement of contracts and subcontracts. DCAA also provides contract audit services to some other Government Agencies.

Site Index / Frames Structure
Please read this privacy and security notice
Contact us here to send Comments or Suggestions.

Website

http://www.dcaa.mil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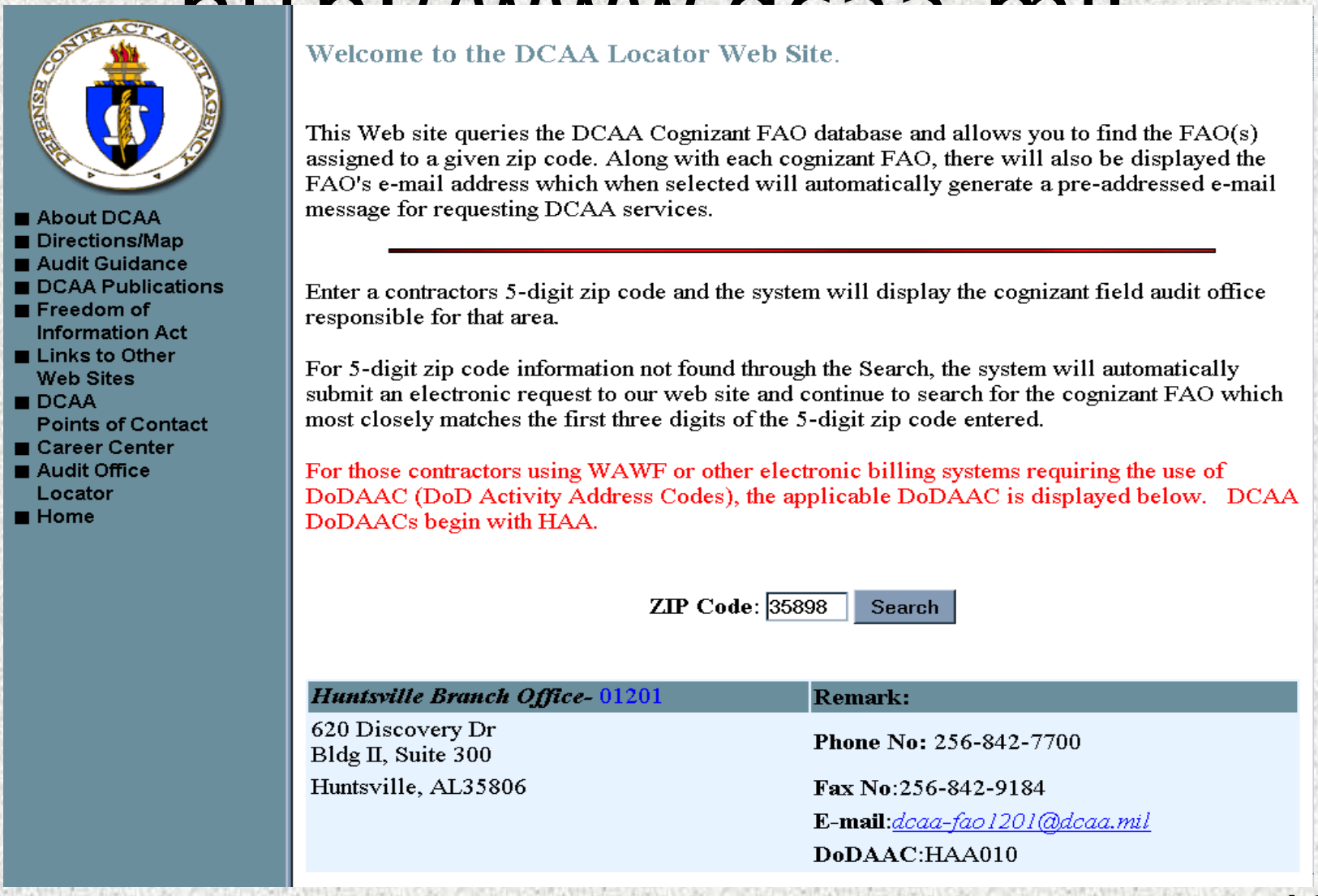
Audit Office Locator
Home
DCAA Cognizant Field Audit Office (FAO) Locator
Welcome to the DCAA Locator Web Site.
This Web site queries the DCAA Cognizant FAO database and allows you to find the FAO(s) assigned to a given zip code. Along with each cognizant FAO, there will also be displayed the FAO's e-mail address which when selected will automatically generate a pre-addressed e-mail message for requesting DCAA services.
Enter a contractors 5-digit zip code and the system will display the cognizant field audit office responsible for that area.
For 5-digit zip code information not found through the Search, the system will automatically submit an electronic request to our web site and continue to search for the cognizant FAO which most closely matches the first three digits of the 5-digit zip code entered.
For those contractors using WAWF or other electronic billing systems requiring the use of DoDAAC (DoD Activity Address Codes), the applicable DoDAAC is displayed below. DCAA DoDAACs begin with HAA.
ZIP Code:
Search

Website

http://www.dcaa.mil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Enter a contractors 5-digit zip code and the system will display the cognizant field audit office responsible for that area.
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For those contractors using WAWF or other electronic billing systems requiring the use of DoDAAC (DoD Activity Address Codes), the applicable DoDAAC is displayed below. DCAA DoDAACs begin with HAA.
ZIP Code: 35898
Search
Huntsville Branch Office- 01201
Remark:
620 Discovery Dr
Bldg II, Suite 300
Huntsville, AL35806
Phone No: 256-842-7700
Fax No:256-842-9184
E-mail:dcaa-fao1201@dcaa.mil
DoDAAC:HAA010

Guide to Requesting Services

- **Requesting Audits**

Prime Contracts - Any special concerns that need to be addressed by the auditors should be specifically identified in the request. If there are special concerns, it often helps to call and discuss them with the DCAA auditor prior to issuing the request for audit.

Guide to Requesting Services

- **Requesting Audits**

Subcontracts - If any subcontracts need to be audited, it will save time if the PCO/ACO sends a copy of the audit request directly to the DCAA subcontract auditor.

Guide to Requesting Services

Requesting Audits

Preparing the Request - The request should include:

- (Sub)contractor's proposal or name of person providing it;
- Information on technical evaluations, especially the name of the contact at the office doing the evaluation;
- And the name of a contact at your office.
- The prime contract audit request should identify any subcontract audits that have been requested.

Guide to Requesting Services

Requesting Audits

Send the Request - Mail, e-mail, or telefax the request to the branch or resident office.

If urgent, call the DCAA office that will perform the audit.

FLA can assist you with audit requests.

Rapid Rates *Concept*

- **Improve Availability, Quality, and Timeliness of Rates for Customers**

- **Establish and Maintain On-Site rates for Contractors Identified by Customers as Potential Suppliers**

Rapid Rates

Benefits to Customers

- **Single DCAA Contact Point for Rates**
- **Faster Access to Rates**
- **DCAA Rate Analysis will be more Complete and Current**

Guide to Requesting Services

- **Requesting Rate Information**
- Call the FLA to see if Rapid Rates information is available
- Let FLA call cognizant DCAA office if no Rapid Rates information is available

Guide to Requesting Services

- **Requesting Rate Information**

Information to Give DCAA - Have available:

- The Rates Proposed
- RFP/Proposal Number
- Contract Type
- Expected Contract Value
- Performance Period
- Deliverables

Guide to Requesting Services

Requesting Rate Information

Written Confirmation - DCAA should send written confirmation within several days.

Availability of Rates - If there has been no recent contact with the contractor DCAA will provide available rates, but qualified with explanatory comments.

Guide to Requesting Services

- **Requesting Rate Information**

If Rates Provided Are Qualified for Applicability or Adequacy - Discuss the possibility of DCAA auditing the entire proposal, part of it, or evaluating rates only under agreed upon procedures.

FLA can assist in the determination of the alternate procedures described above.

Guide to Requesting Services

Getting Additional Help

If additional help is required, contact the following:

- ***The Supervisor or FAO Manager.***
- ***The Regional Office.*** Each DCAA office reports to a Regional Audit Manager (RAM) who will resolve problems not settled by the supervisor or FAO Manager.
- ***The Financial Liaison Advisor (FLA).*** These auditors are assigned to various Army, Navy, and Air Force buying components to provide advice and consultation.

Review of How DCAA fits in to the Acquisition Process

Defense Contract Audit Agency Mission Briefing

DCAA Attendees

- Ray Hillis
- Financial Liaison Advisor
- (256) 842-9435
- ray.hillis@dcaa.mil